

Message Text

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71

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 (ISO) W

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R 091512Z MAY 74

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 1959

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

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TAGS: PINT, SW

SUMMARY: LATEST OPINION POLLS SHOW TWO SWEDISH POLITICAL
BLOCS STILL ABOUT EVEN IN STRENGTH. SPRINGTIME UPTURN IN
SOCIAL DEMOCRATIC POPULARITY IS HARDLY STRONG ENOUGH TO
TEMPT PRIMIN PALME TO CALL EARLY FALL ELECTION IN HOPE
OF BREAKING RIKSDAG DEADLOCK. SIMILARLY, ECONOMIC PIC-
TURE, WHILE GENERALLY GOOD, DOES NOT OFFER GOVERNMENT
PROSPECT OF CERTAIN VICTORY IN AN ELECTION BASED ON
"YOU NEVER HAD IT SO GOOD" CAMPAIGN. IN GENERAL, PALME
IS HAVING A GOOD YEAR, DIVIDING OPPOSITION AND MAINTAIN-
ING ENOUGH INITIATIVE TO GET MOST OF SOCDEM PROGRAM
THROUGH NOMINALLY DEADLOCKED RIKSDAG. ONLY KEY ISSUE
REMAINING ON SPRING CALENDAR IS FINANCING EXPENSIVE
ALREADY-AGREED-UPON REFORMS LEGISLATION, AND PALME WILL
PROBABLY GET LIBERAL OR CENTER SUPPORT. THUS, ON BALANCE
PALME POSITION IS GOOD AND HE IS UNLIKELY TO RISK ALL BY
CALLING ELECTION SOON. END SUMMARY.

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1. APRIL OPINION POLLS SHOW THAT THE SOCIAL DEMOCRATS ARE SLOWLY COMING UP IN SUPPORT, GOING FROM 42.5 TO 43.5 SINCE MARCH, WHILE THE CENTER LOST 1.5 PERCENT, DOWN FROM 28 TO 26.5. THE MODERATES AND LIBERALS KEPT THEIR MARCH FIGURES, 16 AND 6.5 RESPECTIVELY. COMMUNIST VPK WAS DOWN FROM 5.5 TO 5. THUS, TWO RIKSDAG BLOCS STAND AT 49 PERCENT FOR OPPOSITION, 48.5 FOR TWO SOCIALIST PARTIES, FIGURES WHICH ARE VERY CLOSE TO THE SEPT. 1973 ELECTION OUTCOME. WHILE SOCDEMS ARE UP FROM A LOW OF 40.5 PERCENT IN JANUARY, THE POLLS OFFER NO COMPELLING REASON FOR PALME TO RISK AN ELECTION IN EARLY AUTUMN.

2. IN ORDER TO CONTINUE SOCDEM SURGE PALME NEEDS A GOOD ISSUE TO EXPLOIT, ONE ON WHICH OPPOSITION IS VULNERABLE, AND SUCH AN ISSUE HAS NOT YET APPEARED. ON ECONOMIC SCENE SOMETHING MAY DEVELOP, THOUGH PICTURE IS MIXED. FINANCE MINISTER GUNNAR STRANG PUBLISHED MAY 3 HIS REVISED BUDGET, PREDICTING THAT SWEDISH ECONOMY WILL DEVELOP FAVORABLY DURING YEAR (SEE STOCKHOLM 1965). HOWEVER, INFLATION WILL BE TROUBLING, AND BALANCE OF PAYMENTS - FAVORABLE FOR PAST SEVERAL YEARS - WILL GO MODESTLY INTO THE RED. DISPOSABLE INCOME OF HOUSEHOLDS WILL INCREASE BY A FAT 15PERCENT, BUT CONSUMER PRICE RISES OF 9 TO 10 PERCENT WILL REDUCE REAL INCREASE TO ABOUT 5 PERCENT. UNEMPLOYMENT WILL BE VERY LOW; INDEED A LABOR SHORTAGE MIGHT DEVELOP. FOR GOVERNMENT THIS IS AN UNEXPECTEDLY ROSY PICTURE BUT THERE ARE UNCERTAINTIES (CHIEFLY A SPRING DROUGHT THREATENING 1974 FARM OUTPUT AND DANGEROUS INFLATION) WHICH COUNSEL CAUTION. BY A HYPOTHETICAL ELECTION DAY IN SEPTEMBER OR OCTOBER THE PRESENT SUNNY SKIES COULD BE CLOUDIER.

3. PALME HAS STARTED THIS WEEK A SERIES OF MEETINGS WITH LEADING EMPLOYEE AND EMPLOYER ORGANIZATIONS, FOLLOWED BY MEETINGS WITH REPRESENTATIVES OF POLITICAL PARTIES. MEETINGS END LATTER PART OF MAY AT WHICH TIME PALME SAYS HE WILL DECIDE WHETHER TO PRECIPITATE ELECTION THIS YEAR. TALKS WILL MAINLY DEAL WITH FINANCING OF A NUMBER OF EXPENSIVE "REFORMS" LIBERALIZING SOCIAL WELFARE AND TAX LEGISLATION. ALL PARTIES FAVOR REFORMS, BUT THERE ARE CONSIDERABLE DIFFERENCES OF OPINION ON HOW TO PAY FOR LIMITED OFFICIAL USE

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THEM. RIKSDAG MUST DECIDE THIS SPRING HOW TO FINANCE TAX REFORM AND A LOWERING OF PENSION AGE FROM 67 TO 65 YEARS. LATER IT MUST ALSO FUND GENERAL UNEMPLOYMENT INSURANCE, HOUSING AND FOOD SUBSIDIES, ALL TOTALLING ABOUT 10 BILLION KRONOR ABOVE PRESENT BUDGET. IN GENERAL, SOCDEMS WANT TO RAISE MONEY BY RAISING EXISTING PAYROLL TAX (WHICH EMPLOYER PAYS) WHILE OPPOSITION FAVORS OTHER ALTERNATIVES, E.G. TAX ON RAW MATERIALS.

4. ONE PURPOSE OF CURRENT MEETINGS IS TO DIVIDE BOURGEOIS OPPOSITION, WHICH SEEMS TO BE SUCCEEDING. MODERATES ARE PARTICIPATING ONLY RELUCTANTLY, WHILE CENTER AND LIBERALS ARE MUCH MORE POSITIVE (WHICH THE MODERATES ARE PUBLICLY CRITICIZING). ANOTHER PURPOSE APPEARS TO BE A PALME EFFORT TO BUTTER UP LIBERAL PARTY, WHICH WILL COME OUT OF THE MEETINGS WITH SOMETHING POSITIVE TO SHOW ITS SUPPORTERS. ALTHOUGH PALME HAS REACHED SIGNIFICANT COMPROMISES WITH CENTER PARTY, E.G. MOST RECENTLY ON PENSION FUND ISSUE, HE MUST ALSO COURT LIBERAL PARTY WHICH IS CLOSE TO SOCDEM POSITION ON CERTAIN ISSUES ON WHICH OTHER BOURGEOIS PARTIES ARE FIRMLY OPPOSED. AS LONG AS SOCDEMS CAN CONVINCE, SEDUCE OR FRIGHTEN CENTER OR LIBERALS INTO GOING ALONG ON ESSENTIAL LEGISLATION, PALME CAN GOVERN INDEFINITELY DESPITE RIKSDAG DEADLOCK. THERE IS, IN FACT, NO RIKSDAG DEADLOCK IF OPPOSITION IS NOT UNITED, WHICH HAS BEEN THE CASE IN LAST FEW WEEKS. SO FAR THERE HAVE BEEN ONLY FOUR TIE VOTES AND 12 SHOULD-BE TIED VOTES (TIES NOT ACHIEVED BECAUSE OF BAD PAIRING OR PUSHING WRONG BUTTONS), ALL ON MINOR ISSUES. THESE CONTRETEMPS AMUSED THE SWEDES BUT DID NOT SERIOUSLY EMBARRASS GOVERNMENT.

5. ALL OF ABOVE SUGGESTS THAT PALME HAS NO COMPELLING REASON TO BRING ABOUT A MID-TERM ELECTION THIS YEAR. THIS CONFIRMED BY KEY PALME AIDE, PIERRE SCHORI, WHO TOLD EMBOFF THAT ONLY REASON PALME WOULD GO FOR AN ELECTION WOULD BE IF BOURGEOIS PARTIES BLOCK FUNDING OF REFORMS. THIS IS AN UNLIKELY EVENT SINCE NEITHER LIBERALS NOR CENTER ARE THIRSTING FOR BATTLE ON THIS PACKAGE OF LIBERAL SOCIAL AND ECONOMIC LEGISLATION WHICH THEY- AND APPARENTLY MOST SWEDISH VOTERS - LIMITED OFFICIAL USE

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THINK IS A PRETTY GOOD THING.
OLSEN

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